



The European Organisation for Packaging and the Environment - [www.europen.be](http://www.europen.be)

*The Cross Sectoral Voice for Packaging and Packaged Goods*

## EXECUTIVE SUMMARY

### **MANDATORY DEPOSITS ON NON-REFILLABLE BEVERAGE CONTAINERS IN GERMANY:**

#### **THE ECONOMIC, ENVIRONMENTAL AND SOCIAL EFFECTS**

This case study has been commissioned by EUROPEN, the European Organization for Packaging and the Environment.

It examines **mandatory deposits on certain non-refillable drinks containers in Germany.**

The adoption of mandatory deposits has led to the **launch of an infringement procedure against the German government** by the European Commission, and **criticism from other EU Member States**, on the grounds that it infringes internal market principles of the European Union.

In addition, this case study shows that:

- \* The deposits have had **harmful economic effects** in Germany and elsewhere, creating uncertainty and disruption in the beverages market, and increasing costs;
- \* It has been **damaging to the environment**, leading to more litter, and increasing the environmental impact of production plants and transport; and
- \* It has had a **negative social impact**, threatening jobs and reducing choice for consumers.

#### **I. Economic effects**

The mandatory deposits have fragmented and disrupted the beverages market in Germany - sales of beer have fallen, cans have almost disappeared from the market and imports have been put to a competitive disadvantage. The deposits continue to cause uncertainty, and have increased costs for operators. The largest turnover losses are in beverage production and container production sectors, of up to 740 million euro.

There is unpredictable demand for various types of packaging -retail chains have responded differently to the deposit rules. Cans in particular have suffered a severe fall in market share, despite achieving high recycling rates through the DSD recovery system, and despite meeting the Essential Requirements of the EU Directive on Packaging and Packaging Waste.

Many workers are now on short-time working and job cuts are threatened. Imported packaging has been particularly affected, as it is harder for foreign suppliers to respond to the unstable trading conditions that the deposits have created. An assessment of the impact on employment for 2004 shows an overall net loss of 9,530 jobs in Germany. Factories have also been closed in Sweden and the UK.

Many fillers, particularly those supplying drinks in non-refillable containers, like importers or small producers, have seen a fall in turnover. An unforeseen consequence of deposits is that branded goods have lost out, as the discount chains operating “island solutions” have switched to private label products.

Fillers face increased costs from using different packs: refillable containers; one-way packs with special logos, and packs with special designs for each “island solution”. This increases production costs, and the effect on importers and international drinks producers is disproportionately high - they cannot switch to refillables because of the long transport distances involved. Their efficient production methods are designed for the single European market, not for individual segments of each national market, requiring tailor-made products. Further, the handling fees charged by deposit systems are higher than those of DSD, and the absence of a one-stop deposit system increases administrative costs.

Retailers are faced with the cost of handling returned beverage containers in-store, and getting them recycled. This is expensive for them, as it slows throughput at the tills and requires staff to be available to remove containers from the till area.

DSD estimates it has lost 20% of its income, and this year for the first time since 2000 has not been able to reduce its fees.

Consumers are bearing the cost of unredeemed deposits, because the multiplicity of different deposit systems makes it hard to get deposits refunded. This makes drinks expensive - the deposit is 25 eurocents, far higher than deposits charged elsewhere in Europe.

## II. Environmental effects

Operating production plants at reduced capacity increases the environmental impact per unit produced. The same is also true of associated infrastructure, such as delivery trucks, and recycling capacity.

The return rate for refillables has fallen significantly - to below 50% in some categories. This is because the deposit for one-way containers is far higher than that for refillables (25 eurocents compared with 8 cents). Consumers who want one-way containers are simply buying refillables because these are cheaper, and then not returning them. The Life Cycle Assessments (LCAs) used to justify the preference for refillables were based on the assumption that refillables would continue to achieve high return rates. If return rates are now lower, then the environmental benefit of refillables also decreases. There have been calls for the LCAs to be adjusted to take account of the lower return rate. The long-established use of standardised containers for refillables has been abandoned because of the disruption in the drinks market. As a result, empty refillable containers must now be transported back to each individual filler, which increases the environmental impact of refill systems.

The deposit has triggered a shift away from lightweight non-refillable packaging to heavier refillable packaging. This, together with lower return rates for refillables, has resulted in an overall increase in the tonnage of packaging waste from drinks. A key objective of the Ordinance is the prevention of packaging waste.



Beverage containers are now collected and recycled separately from other packaging. This results in duplication of effort - DSD still operates the same collection rounds but now collects less packaging. Meanwhile a separate set of trucks transports beverage containers for recycling. This reduces economies of scale, and the collection system for glass is now under threat, as it has become expensive to operate without drinks bottles.

There has been an increase in shipments of plastics to China for recycling, because Chinese recyclers are paying more for the material than German recyclers. Some of the recycling capacity for plastics carefully developed by DSD is now under-used.

### III. Social effects

As a result of mandatory deposits, there has been an increase in the quantity and hazardousness of litter. Litter from discarded beverage containers, particularly cans, was cited as a reason for having the deposit in the first place. Some local authorities report an increase in litter from broken glass bottles, with an increase in injuries resulting from it.

Job losses and short-time working tend to be concentrated in areas that are already suffering high unemployment, such as traditional metal-working regions.

Consumers have lost access to convenient pack types. Cans and plastic bottles are more appropriate than glass when consumers are on the move and for consumption away from home. It is not surprising, therefore, that support for the deposit is falling among the public.

### IV. Lessons of the German deposits

**Complex deposit regulations cannot be implemented without stakeholder support** - there is evidence that the German Federal Environment Minister acted to implement the deposit without the support of industry, of retailers, of the *Länder*, of other government ministers, or of consumers.

**Political objectives need to be clear** - the Minister has attempted to promote refillable beverage containers using legislation whose main objective was to ensure high recycling rates for all packaging. Pack types such as cans that had met the recycling objectives of the legislation have nonetheless been penalised.

The mandatory deposit have **serious internal market implications**. The legal provisions aimed at protecting refillables and imposing the deposit have been challenged as incompatible with EU internal market rules.

It is **not possible to trigger a shift in market trends (such as preference for refillables) through legislation**. Market forces determine market trends more strongly than legislation can. Further, when designing legislation, account needs to be taken of the economic interests of all economic operators, including consumers.

**The current problems with the German system are not just teething troubles. The mandatory deposit is inherently flawed**. Germany's introduction of producer responsibility for all packaging waste in 1991 and the establishment of the Dual System were highly innovative. Although other Member States quickly copied these new-style provisions, Germany's combination of refill quotas and mandatory deposits for drinks containers has not been copied.



GILL BEVINGTON  
PERCHARDS  
30 April 2004